



EUROPEAN CENTRAL BANK

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MONETARY DEVELOPMENTS IN THE EURO AREA: DECEMBER 1998

In December 1998, the twelve-month rate of growth of the broad monetary aggregate M3 declined to 4.5% from 4.7% in November 1998. The latest three-month moving average of the twelve-month growth rates of M3 (covering October to December 1998) was at 4.7%.

Twelve-month percentage changes	OCTOBER 1998	NOVEMBER 1998	DECEMBER 1998	AVERAGE OCTOBER- DECEMBER 1998
M3	5.0	4.7	4.5	4.7

Note: The statistics reported in this press release incorporate recent adjustments, mainly due to the inclusion of data for Luxembourg money market fund shares/units and money market paper as from September 1997. Accordingly, the figure for M3 growth in November 1998 has been revised upwards from 4.5% since its first publication by the ECB on 30 December 1998.

The slowdown in the 12-month growth rate of M3 in December 1998 compared with November 1998 (see item 1 in the attached table) mainly reflected the contraction of marketable instruments comprised in the monetary aggregate. The reduction was particularly notable in debt securities with a maturity of up to 2 years, the annual growth rate of which decreased from 20.2% in November to -6.7% in December. Moreover, the contraction of repurchase agreements continued, and the positive rate of growth of money market fund shares/units and money market paper decreased. In terms of absolute and non-seasonally adjusted figures, the total amount outstanding of repurchase agreements, money market fund shares/units and money market paper contracted by EUR 34 billion in December compared with November; holdings of debt securities with a maturity of up to 2 years decreased by EUR 15 billion during the same period. A slowdown was also observed in the annual growth rate of deposits redeemable at notice up to 3 months to 5.6% in December, from 6.6% in November.

In contrast, the 12-month growth rate of overnight deposits slightly increased to 11.1% in December from 10.8% in November. Furthermore, the annual growth rate of currency in circulation, while remaining subdued, increased to 1.4% in December (from 0% in November). In addition, the 12-month rate of change in deposits with agreed maturity up to 2 years increased to -1.2% in December from -3.4% in November.

Among the counterparts of M3, the 12-month growth rate of longer-term financial liabilities of the Monetary Financial Institutions (MFI) sector against other euro area residents (item 3 in the table) decelerated from 3.4% in November to 2.6% in December.

On the asset side of the consolidated balance sheet of the MFI sector, credit growth (item 5 in the table) in the euro area remained strong in December. Loans to the private sector grew at 8.3% on a 12-month basis, slightly decelerating from 8.6% in November. In terms of absolute and non-seasonally adjusted figures, the MFI sector extended a net amount of EUR 56 billion on new loans to private sector euro area residents in December, which is almost of the same order of magnitude as the corresponding rise in the stock of M3 (EUR 68 billion). Credit growth through purchases of securities issued by the private sector in the euro area also accelerated on a 12-month basis in December.

The external liabilities of the MFI sector decreased by EUR 64 billion in December (item 4 in the table), which was partly compensated by a decrease of EUR 43 billion in external assets (item 6 in the table). As a result, the movements in external assets and liabilities which took place in November were largely reversed.

Note of caution: This commentary on monetary developments in the euro area is based on a comparison of end-of-month stocks. In the near future, the difference in levels will be adjusted for reclassifications, exchange rate variations, other revaluations, and any other changes which do not arise from transactions.

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(non seasonally-adjusted data in ebillions)

	NOVEMBER 1998			DECEMBER 1998			AVERAGE OCT98 - DEC98
	End of month levels	Change on previous month	Annual growth rate	End of month levels	Change on previous month	Annual growth rate	Annual growth rate
COMPONENTS OF M3⁽²⁾							
(1) <i>M3</i> (= items 1.1 to 1.7)	4368	29	4.7	4436	68	4.5	4.7
(1.1) Currency in circulation	313	1	0.0	323	10	1.4	0.7
(1.2) Overnight deposits	1377	42	10.8	1444	67	11.1	10.7
(1.3) Deposits with agreed maturity up to 2 years	870	4	-3.4	883	13	-1.2	-3.0
(1.4) Deposits redeemable at notice up to 3 months	1198	3	6.6	1225	27	5.6	6.3
(1.5) Repurchase agreements	198	-20	-8.0	181	-17	-11.7	-4.7
(1.6) Money market fund shares/units and money market paper	330	2	7.3	312	-17	5.2	6.3
(1.7) Debt securities issued with maturity up to 2 years	82	-3	20.2	67	-15	-6.7	11.0
COUNTERPARTS OF M3⁽³⁾							
MFI liabilities:							
(2) <i>Deposits of central government</i>	155	-7	8.5	157	2	1.8	5.7
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	3241	3	3.4	3243	2	2.6	3.2
(3.1) Deposits with agreed maturity over 2 years	1018	-4	1.5	1023	6	1.4	1.7
(3.2) Deposits redeemable at notice over 3 months	210	0	-3.0	214	5	-2.6	-2.9
(3.3) Debt securities issued with maturity over 2 years	1303	9	5.9	1300	-4	5.4	5.7
(3.4) Capital and reserves	710	-3	3.6	705	-5	1.0	3.0
(4) <i>External liabilities</i>	1620	65	14.9	1557	-64	11.3	13.5
MFI assets:							
(5) <i>Credit to euro area residents</i> (= items 5.1 and 5.2)	7602	61	7.0	7639	37	7.1	7.0
(5.1) Credit to general government	2069	9	1.3	2037	-32	1.6	1.7
Of which Loans	841	7	-1.8	841	0	-0.2	-0.8
Of which Securities other than shares	1228	2	3.6	1196	-32	2.9	3.5
(5.2) Credit to other euro area residents	5533	53	9.3	5603	69	9.2	9.2
Of which Loans	5043	45	8.6	5099	56	8.3	8.4
Of which Securities other than shares	201	-6	4.9	196	-5	7.0	7.1
Of which Shares and other equities	289	14	27.5	308	19	29.2	26.8
(6) <i>External assets</i>	1971	52	5.0	1928	-43	2.5	4.3
(7) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 and 4 - items 5 and 6)	-188	-23	56.9	-175	13	215.0	113.4

(1) Discrepancies in the table can be due to rounding. The information in this table is based on consolidated balance sheet statistics reported by Monetary Financial Institutions (MFIs). These include the Eurosystem, credit institutions and money market funds located in the euro area. Figures refer to all currencies. The difference in levels will be adjusted in the near future for reclassifications, exchange rate variations, other revaluations, and other changes which do not arise from transactions.

(2) Liabilities of Monetary Financial Institutions (MFIs) and specific units of the central government (post offices, treasury) vis-à-vis non-MFI euro area residents, excluding central government

(3) Assets and liabilities of Monetary Financial Institutions (MFIs) vis-à-vis non-MFI euro area residents, including central government.

Note: More details of the latest data, as well as estimates for earlier periods going back to September 1997 may be found on the ECB's web (<http://www.ecb.int>)